We believe that, over the next two years, India should start matching China’s GDP growth of around 8.5-9.5%, barring another global financial crisis. More importantly, we think that, by 2013-15, India will start outpacing China’s GDP growth notably. Morgan Stanley’s Chief Economist for China, Qing Nang, believes that China’s growth will move towards a more sustainable rate of 8% by 2015, following the remarkable 10% average over the past 30 years. We believe India’s growth will accelerate to a sustainable 9-10% by 2013-15, after an average of 7.3% over the past 10 years. In other words, over the next 10 years, we expect India’s growth to outpace China’s.


Australia and the postwar world

Until World War II, Australia had virtually ignored the reality of Asia. Australians saw themselves as an outpost of British civilisation that happened to be on the rim of Asia, and in 1901 the first law of the new Australian parliament was to create a White Australia Policy to keep Asians out. Before World War II, Australia gained some security from the fact that most of Asia was controlled by Britain or by other European powers.

However, in 1941 Japan swept into South-East Asia. The British were defeated in Malaya, Borneo, Singapore and Burma. The French fell in Indochina, the Dutch in the East Indies, and the Americans lost the Philippines. This was a tremendous blow to Western power and prestige and made Australia feel very insecure.

In the postwar world, Australia faced the reality of the Cold War in Asia where communism appeared to be on the march. A communist government came to power in North Korea in 1948. In 1949 China, the largest nation on earth, fell to the communists when Mao Zedong led the Chinese Communist Party to victory. Australia viewed communist China as the new threat to Asia. The communists were often called ‘Reds’, after the red flag that was the colour of revolution. People spoke of ‘Red China’ and of the expanding ‘red menace’.

Domino theory

There was a widely held belief in the 1950s and 1960s, particularly in the United States and Australia, that if communism was not stopped it would spread throughout the rest of South-East Asia. This belief was called the ‘domino theory’: if one Asian state fell to communism, then, like falling dominoes, all of Asia would soon fall to communism.

Australia became a great supporter of the United States. In 1950, when communist North Korea invaded South Korea, triggering the Korean War, Australia was one of the first nations to send forces to this conflict. This strengthened the bond with the United States, which also committed itself to the Korean War. Prime Minister Robert Menzies called the United States Australia’s ‘great and powerful friend’.

The belief in the domino theory influenced Australia’s actions in South-East Asia in the 1950s and 1960s; in particular, the decision to send Australian troops to the Vietnam War from 1962. To the United States and its allies, including Australia, Vietnam appeared to be a classic example of the domino theory. In 1954, Vietnam